



STATE OF UTAH
NATURAL RESOURCES
Oil, Gas & Mining

Norman H. Bangerter, Governor
Dee C. Hansen, Executive Director
Dianne R. Nielson, Ph.D., Division Director

355 W. North Temple • 3 Triad Center • Suite 350 • Salt Lake City, UT 84180-1203 • 801-538-5340

September 9, 1986

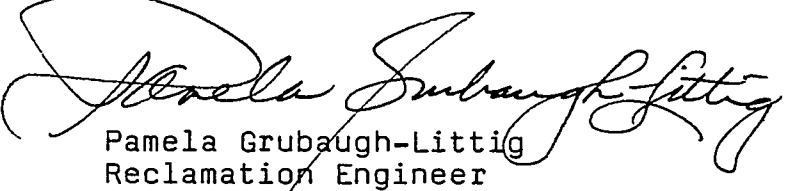
Ms. Maxine Cochran, Treasurer
Kelmine Corporation
11930 West 44th Avenue, Suite 200
Wheat Ridge, Colorado 80033

Dear Ms. Cochran:

Re: Collateral Bonding and Indemnity Agreement, Lisbon
Valley Copper Mine, ACT/037/032, San Juan County, Utah

Enclosed is the fully executed collateral bonding and
indemnity agreement for the Lisbon Valley Copper Mine.
Thank you for your cooperation.

Sincerely,



Pamela Grubaugh-Littig
Reclamation Engineer

Enclosure(s)
djh
cc: J. Whitehead
9075R-79

NONCOAL
(February 1986)

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
3 Triad Center, Suite 350
355 West North Temple
Salt Lake City, Utah 84180-1203
(801) 538-5340

COLLATERAL BONDING AND INDEMNITY AGREEMENT

THIS COLLATERAL BONDING AND INDEMNITY AGREEMENT entered into by and between Kelmine Corporation (hereinafter referred to as "Operator") and the Utah Division of Oil, Gas and Mining (hereinafter referred to as "Division"),

W I T N E S S E T H

WHEREAS, the Operator has obtained Program Permit No. ACT/037/032 (hereinafter referred to as "Permit") from the Division to conduct mining and reclamation activities at the Lisbon Valley Copper Mine in San Juan County, Utah, as a mine under the Utah Mined Land Reclamation Act, Utah Code Annotated, 40-8-1, et seq, 1953, as amended ("Act") and implementing regulations; on the disturbed areas designated in Exhibit A; and

WHEREAS, the Operator wishes to obtain a bond under 40-8-14(3); and

WHEREAS, the Operator has provided an irrevocable letter of credit issued by First Western National Bank of Utah (Exhibit B), naming the Division as Beneficiary, as collateral to secure this Collateral Bonding and Indemnity Agreement; and

COLLATERAL BONDING AND INDEMNITY AGREEMENT - NONCOAL

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the Operator does hereby agree to be held and firmly bonds to the Division for the sum of \$85,000 (1987 dollars) for the timely performance of reclamation responsibilities for Permit No. ACT/037/032 in lawful money of the United States. By the submission of this Irrevocable Letter of Credit Will and truly binds itself, its successors and assigns, jointly and severally, by the conditions of this Agreement.

The conditions of the above obligations are such that:-

1. The Operator shall perform all duties and fulfill all requirements applicable to mining and reclamation as set forth in the Act, and regulations adopted pursuant to the Act and the conditions of Permit No. ACT/037/032 issued by the Division.
2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the Mining and Reclamation Plan for Permit No. ACT/037/032 for a period of time and in the manner specified in the Act and regulations adopted pursuant thereto as amended from time to time, and the conditions set forth in Permit No. ACT/037/032 issued by the Division.

EXHIBIT A

To Collateral Bonding and Indemnity Agreement
dated July 25, 1986 between State of Utah,
Department of Natural Resources,
Division of Oil, Gas and Mining,
and Kelmine Corporation (Operator)

The legal description of the area to be disturbed
located in San Juan County, Utah is:

Sections 25, 26 and 36,
Township 30 South,
Range 25 East, SLBM,
San Juan County, Utah